



Trade Facts

From the Office of the United States Trade Representative
Washington, DC 20508

www.ustr.gov

U.S. Proposes A Tariff-Free World - Modalities

Phase One, 2005-2010 – Cut and Harmonize

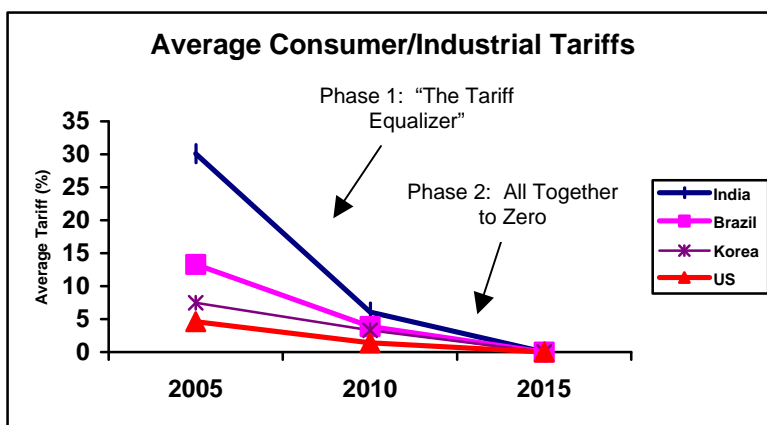
1. **Eliminate low tariffs of 5% or less by 2010.**
2. **Eliminate tariffs in highly-traded goods as soon as possible, but no later than 2010.**
Expand participation in Uruguay Round “zero-for-zero” sectors, and seek new sectoral initiatives. Sectors should include, but are not limited to:

Agricultural equipment
Bicycle parts
Chemicals and allied products
including photo film & soda ash
Civil aircraft
Construction Equipment
Environmental technologies
Fish and Fish Products
Furniture
Information Technology and
Electronics Products

Medical Equipment
Non-Ferrous Metals
Paper
Pharmaceuticals
Scientific Equipment
Steel
Toys
Wood products

(Distilled spirits, beer, & oilseeds covered under negotiations on agricultural tariffs.)

3. **Harmonize remaining tariffs to less than 8%.**
 - *Cut highest tariffs fastest*
 - *The formula: $T_1 = (T_0 * 8) / (T_0 + 8)$ [T_1 = new tariff; T_0 = current tariff]*



Phase Two, 2010-2015: Equal Annual Cuts to Zero

1. With tariffs harmonized, countries make equal annual cuts to zero.

A parallel process will seek to identify and eliminate non-tariff trade barriers.



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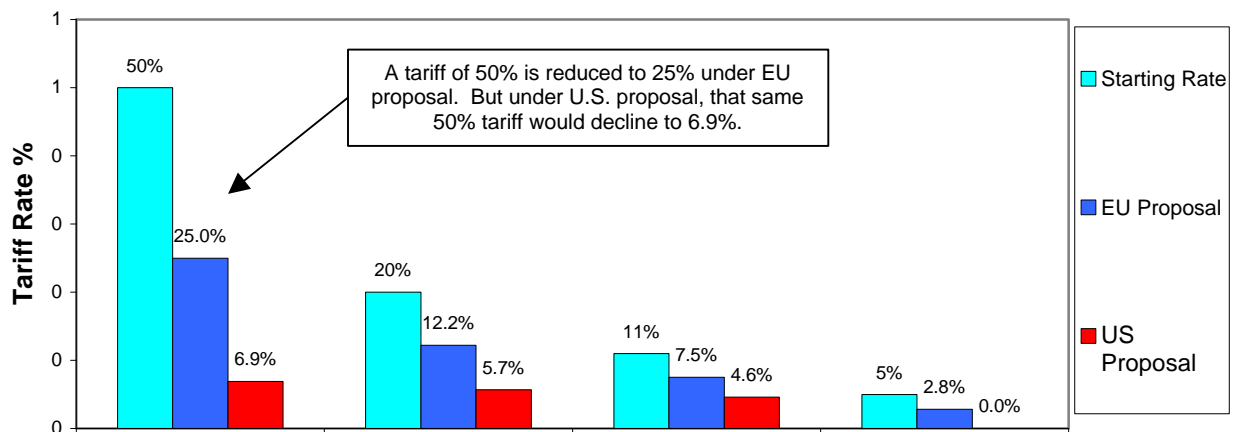
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U.S. Proposes A Tariff-Free World ***Comparison to EU Proposal***

- The U.S. proposal on consumer and industrial products calls for comprehensive tariff elimination, while the European Union proposal* calls only for tariff compression and reductions and would retain high duties on products of interest to developing countries.
- The U.S. proposal eliminates duties of 5% or less, making more than three-quarters of imports to the U.S., Europe and Japan duty-free by 2010. The EU proposal is vague on cutting low tariffs.
- The U.S. proposal calls for zero tariffs in highly-traded sectors no later than 2010. The EU proposal does not contain a sectoral approach.

Results of U.S. and EU Proposals in 2010 On Sample Consumer & Industrial Goods Tariffs



* Estimates based on EU presentation to WTO, November 4, 2002

In 2015, tariffs under EU proposal would remain unchanged from 2010 rates shown above. But under U.S. proposal, all tariffs would be zero.



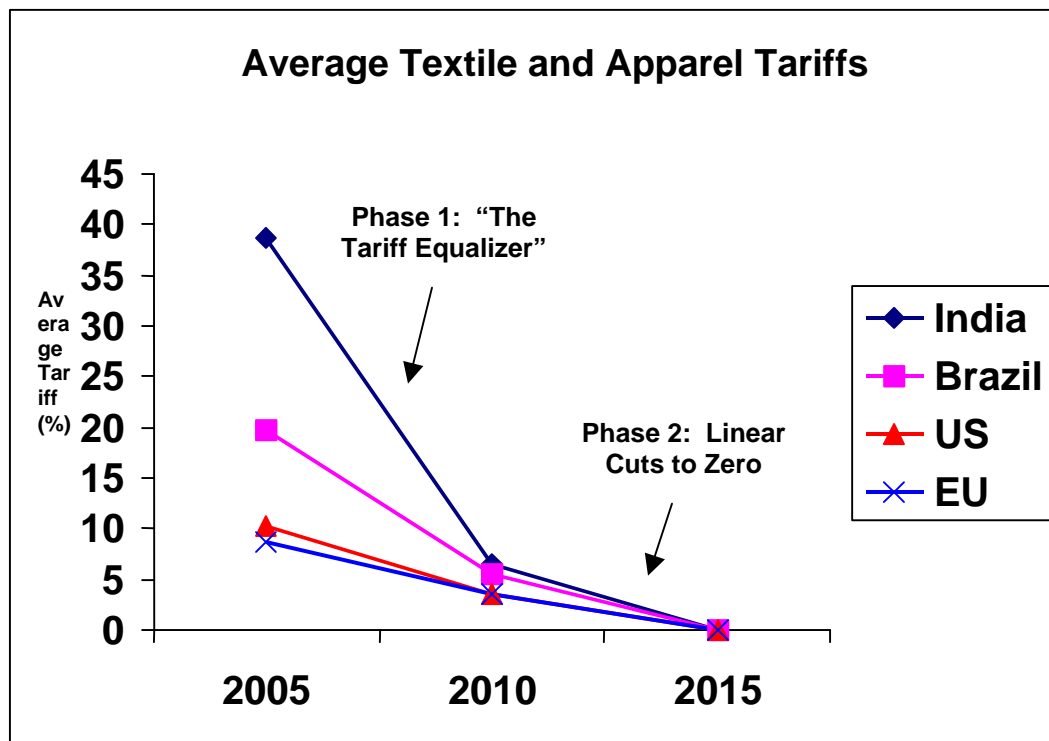
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U.S. Proposes A Tariff-Free World ***Effects of U.S. Proposal On Average Textile and Apparel Tariffs***

- Graph shows effects of the “Tariff Equalizer” formula.
- Higher foreign tariffs are cut fastest to gain reciprocal market access for U.S. exporters.
- Tariffs are harmonized at levels below 8% before final linear cuts to zero.
- Meets objective set by Congress in Trade Promotion Authority:
 - *To “obtain competitive opportunities for U.S. exports of textiles and apparel in foreign markets [that are] substantially equivalent to the competitive opportunities afforded foreign exports in U.S. markets and to achieve fairer and more open conditions of trade in textiles and apparel.” [Section 2102(b), Trade Act of 2002]*



A parallel process will seek to identify and eliminate non-tariff trade barriers.



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Tariff Calculator- Results by 2010

The following chart shows the results of the "Tariff Equalizer" formula.

<i>If the initial rate is.....</i>	<i>Then the 2010 rate is.....</i>
1	0.0
2	0.0
3	0.0
4	0.0
5	0.0
6	3.4
7	3.7
8	4.0
9	4.2
10	4.4
11	4.6
12	4.8
13	5.0
14	5.1
15	5.2
20	5.7
25	6.1
30	6.3
35	6.5
40	6.7
45	6.8
50	6.9
55	7.0
60	7.1
65	7.1
70	7.2
75	7.2
80	7.3
85	7.3
90	7.3
95	7.4
100	7.4